



University of Hawaii at Manoa

Environmental Center
Crawford 317 • 2550 Campus Road
Honolulu, Hawaii 96822
Telephone (808) 948-7361

Office of the Director

RL:0289

HR 353 and HCR 72
REQUESTING A DPED STUDY OF
BEVERAGE-CONTAINER DEPOSIT-AND-RETURN LEGISLATION

Statement for
House Committee on Ecology and Environmental Protection
Public Hearing 28 March 1978

By
Doak C. Cox, Environmental Center
Chennat Gopalkrishnan, Agricultural and Resource Economics
with supplemental comments by
Hiroshi Yamauchi, Agricultural and Resource Economics

HR 353 and HCR 72 call upon the Department of Planning and Economic Development to make a study of the economic impact of legislation that would require refundable deposits on beverage containers. This statement on the resolutions does not reflect an institutional position of the University.

So called "bottle-bill" legislation has been introduced in the Hawaii legislation in several successive years. The intent of this legislation is to reduce both litter and the consumption of natural resources. Proponents of the legislation point out the effectiveness of similar legislation elsewhere and claim that economic detriments will be minimal. Opponents point out limitations to the effectiveness of similar legislation elsewhere and the effectiveness of alternative solutions to the litter and resource problems, and claim that the economic detriments of bottle bill legislation will be considerable and that the legislation will be less effective in Hawaii than in other states.

Although the Environmental Center has provided comments on a few of the bottle bills introduced in the past, the extent of these comments has been limited by the limitations of reliable, objective data bearing on the probable impacts of the legislation in Hawaii.

A study such as is called for in HR 353 and HCR 72 would provide additional pertinent information. A study producing adequate information for a rational decision would not be a simple one. It would have to include, for example, not merely the investigation of jobs that would be lost through any change in the beverage distribution system but jobs that would be gained;

not merely the effects on sales of beverages in various kinds of containers but the costs of returning the containers, recycling either the containers or the materials of which they are composed, and the costs of handling the deposits. (See also supplemental comments by Hiroshi Yamauchi.)

Decisions on proposed bottle bill legislation should be based not only on the economic balances involved but on other balances, especially energy balances. A study should, therefore, include not merely the economic considerations but the energy considerations.

It should be determined whether the DPED could conduct an adequate study without special funding, which the resolution would not provide.

MAR 14 1978

University of Hawaii at Manoa

Water Resources Research Center

March 9, 1978

MEMORANDUM

TO: Doak C. Cox, Director
Environmental Center

FROM: Hiroshi Yamauchi
Department of Agricultural and Resource Economics

SUBJECT: Comments on HR 353 and HCR 72 requesting a DPED study of
beverage-container deposit-and-return legislation

1. I don't see where there is an economic problem of wasting energy and natural resources in the State. Metal, plastic and glass beverage containers are essentially secondary products derived from primary resources (metal ores, mineral ores, and petroleum deposits) which are not exploited in Hawaii.

Any institutionally induced changes within the State in the use, collection, and disposal of these containers will have only minor (if any) impact on the conservation of these primary natural resources.

2. I can see where there might be an economic problem associated with improving the quality of our state environment through a deposit-and-return policy. Basically, the problem involves social economic accounting and is not a simple one by any means.

There will be costs and benefits associated with such a policy. But how one views these costs and benefits is crucial to the evaluation of the problem.

If, for instance, it can be shown that there are potential net benefits (there might be none) from such a policy, then these potential net benefits can be interpreted as opportunity costs (foregone net benefits) of not having the policy. This is clear enough. But there are many difficulties involved in defining, and measuring the economic benefits and costs.

The economic benefits must be related to real improvements in environmental quality which in turn must be shown to result from the policy. How will these real environmental quality improvements be defined and measured? How will the economic benefits be evaluated? How will the relations between economic benefits and environmental change be established? Will it make any difference as to who the beneficiaries are, whether tourists or residents, businesses or consumers, etc. These are some of the difficult questions that must be answered on the benefits side.

There are also difficult issues on the cost side which must be addressed. The economic costs must be related to real losses incurred throughout the economy as a result of the policy. Transfer effects must be netted out. In HR 353 and HCR 72, the effects proposed to be surveyed in other states for projection in Hawaii might involve transfer effects. Changes in employment and wages, beverage prices and sales, and implementation costs are often transfer effects between producers, consumers, owners of services, and government. This would be true even if these effects result from changes in container use and reuse patterns due to the policy. Also some of these effects might be the result of other causes. These various effects must, therefore, be separated out according to their respective causes in order to distinguish between what is a real vs a simple transfer effect.

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